

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 CAB-02 CIAE-00 COME-00

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 3895

INFO AMEMBASSY BELGRADE

AMCONSUL BRISBANE

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MELBOURNE

AMEMBASSY PARIS

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EAIR, AS

SUBJECT: CIVAIR: AUSTRALIA-U.S. NEGOTIATIONS

REF: (A) CANBERRA 05673, (B) CANBERRA 02668 (NOTAL)

1. SUMMARY: IN A JULY 23 PRESS CONFERENCE MINISTER FOR TRANSPORT NIXON DISCLOSED THAT U.S.-AUSTRALIAN AVIATION NEGOTIATIONS WOULD OPEN IN WASHINGTON AUGUST 28 AND THAT U.S. TALKS WOULD GO AHEAD REGARDLESS OF OUTCOME OF AUSTRALIAN-UK NEGOTIATIONS. HOWEVER, NO MENTION WAS MADE OF CONTINENTAL. IN ADDITION TO JUST-RELEASED DOMESTIC AVIATION POLICY REVIEW, NIXON FOCUS WAS DIRECTED EXCLUSIVELY AT FARES, PACKAGED TO APPEAR AS AN AUSTRALIAN IDEA. AUSTRALIAN PRESS TOOK NIXON BAIT.

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2. EMBASSY ONCE AGAIN URGES PREPARATION OF U.S. FARE INITIATIVE AS COUNTER TO WELL-ORCHESTRATED AUSTRALIAN PLOY. END SUMMARY.

3. "THE AUSTRALIAN" REPORTED NIXON PRESS CONFERENCE IN BOLD-TYPE HEADLINE, "CHEAP LONDON AND U.S. FARES NEARER," UNDER

SMALLER HEADLINE READING, "AIR TALKS PROGRESSING, SAYS NIXON." LEAD PARAGRAPHS READ:

"TAA AND ANSETT ARE NEGOTIATING TO FLY TO OVERSEAS DESTINATIONS INCLUDING NEW ZEALAND, PAPUA NEW GUINEA AND SOUTH-EAST ASIA, AND THERE HAS BEEN PROGRESS TOWARD THE LOWERING OF FARES ON THE AUSTRALIA-BRITAIN AND AUSTRALIA-U.S. RUNS.

"THE FEDERAL MINISTER FOR TRANSPORT, MR. NIXON, ANNOUNCED IN BRISBANE YESTERDAY THAT:

"TALKS WOULD BE HELD SOON BETWEEN THE DEPARTMENT OF TRANSPORT, QANTAS AND THE TWO DOMESTIC AIRLINES ON THE OVERSEAS FLIGHT PROPOSAL.

"NEGOTIATIONS WOULD OPEN IN WASHINGTON ON AUGUST 28 FOR REDUCED AIR FARES BETWEEN AUSTRALIA AND THE UNITED STATES.

"IT WAS HOPED THAT NEGOTIATIONS FOR CHEAPER FLIGHTS BETWEEN AUSTRALIA AND BRITAIN WOULD BE COMPLETED BY NEXT MONTH."

4. NIXON SAID THAT BRITISH NEGOTIATORS WOULD ARRIVE IN AUSTRALIA WITHIN A WEEK AND THAT HE HOPED TO MAKE A PUBLIC ANNOUNCEMENT ON THE NEW FARES BEFORE U.S. TALKS. HE LIMITED OFFICIAL USE

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STATED, "THINGS ARE GOING VERY SMOOTHLY AT THE MOMENT. BUT IF WE FAIL WITH THE BRITISH THEN I'LL STILL BE TALKING WITH THE OTHERS." NIXON REPORTEDLY SAID THAT COMING NEGOTIATIONS WOULD INCLUDE BRITISH GOVERNMENT'S VIEW ON INCLUSION OF LAKER CHARTER FLIGHTS AND THAT, "WE ARE IN THE BUSINESS OF FIXING IT WITH THE BRITISH GOVERNMENT AT THE MOMENT. THAT'S THE MAJOR MARKET. THEN WE'LL TALK WITH KLM, LUFTHANSA AND OTHER EUROPEAN OPERATORS. IF THEY DON'T WANT TO COME IN THAT'S THEIR BUSINESS."

5. NIXON EARLIER IN WEEK HAD BEEN SEVERELY CRITICIZED BY UTA GENERAL MANAGER FOR FAILING TO END UNCERTAINTY REGARDING FUTURE OF EUROPEAN AIRLINES. NIXON HAD SAID IN EARLIER PRESS CONFERENCE WHICH STIMULATED UTA CRITICISM THAT CONJECTURE THAT AIR AGREEMENTS WITH OTHER COUNTRIES WERE TO BE TERMINATED WAS PURE SPECULATION AND THAT NEGOTIATIONS WITH THESE OTHER GOVERNMENTS WOULD TAKE PLACE AFTER SUCCESSFUL CONCLUSION OF UK NEGOTIATIONS. THOUGH NIXON IN BRISBANE STATEMENT EMPHATICALLY DENIED THAT AUSTRALIA "HAD DECIDED TO THROW OUT" EUROPEAN AIRLINES, HIS BRISBANE REMARKS FURTHER HEIGHTEN IMPRESSION THAT ROUGH TIMES LIE AHEAD FOR EUROPEAN CARRIERS.

6. TURNING TO U.S. FARES, NIXON SAID AUSTRALIANS WOULD BE PLEASANTLY SURPRISED BY NEW FARES HE EXPECTED BETWEEN AUSTRALIA AND U.S. THE CHEAP FLIGHTS WOULD, HE SAID, SERVICE SEATTLE, SAN FRANCISCO AND LOS ANGELES. FLIGHTS TO VANCOUVER IN CANADA WOULD ALSO BE INCLUDED.

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7. "THE AUSTRALIAN" QUOTED AIRLINE SOURCES AS SAYING THAT NEW FARE BETWEEN SYDNEY AND U.S. WEST COAST WOULD BE A DOLS 650 ROUND TRIP. SOURCE WAS ALMOST CERTAINLY SIR JOHN EGERTON, MEMBER OF QANTAS BOARD, WHO TOLD BRISBANE CONSUL AT JULY 4 RECEPTION THAT HE EXPECTED ROUND TRIP FARE OF AROUND DOLS 650 TO ENTER INTO EFFECT JUST BEFORE CHRISTMAS. NIXON HIMSELF DID NOT DISCUSS FARE FIGURES AND IN SPEECH TO NATIONAL PARTY CONFERENCE IN BRISBANE CRITICIZED PRESS FOR SPECULATING ABOUT FARES. SURPRISINGLY, AND SOMEWHAT UNBELIEVABLY, DEPARTMENT OF TRANSPORT IN CANBERRA DENIES THAT QANTAS HAS MADE A FARE SUBMISSION OF ANY SORT REGARDING U.S. ROUTE. TOLD THAT QANTAS BOARD MEMBER HAD USED SAME FIGURE AS REPORTED IN PRESS, TRANSPORT OFFICIAL STATED WITH SOME PIQUE THAT HE WONDERED WHAT BUSINESS QANTAS BOARD MEMBERS HAD

DISCUSSING AIR FARES WITH U.S. GOVERNMENT.
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8. EMBASSY IN REFTEL B, PARAS 6, 7, AND 8, STRONGLY URGED THAT CONTINENTAL'S FARE-REDUCTION PROPOSALS BE INTRODUCED INTO NEXT ROUND OF CONSULTATIONS. AT THE TIME, EMBASSY SAW THIS AS MEANS OF MOVING TALKS OFF DEAD-CENTER. IT NOW SEEMS EVEN MORE ESSENTIAL AS A MEANS TO COUNTER AUSTRALIAN GOVERNMENT'S WELL ORCHESTRATED INITIATIVE WHICH, IF IT SUCCEEDS WITH BRITISH, WILL OTHERWISE PLACE ON U.S. ONUS FOR LIKELY BREAKDOWN OF AUSTRALIA-U.S. TALKS AND DENIAL OF LOW-COST FARES TO AUSTRALIAN PUBLIC.

9. EMBASSY CAN APPRECIATE THAT USG MAY FEEL CONSTRAINED IN INTRODUCING CONTINENTAL'S FARE PROPOSALS INTO DISCUSSIONS. HOWEVER, IT APPEARS FAIRLY CLEAR THAT TRANSPACIFIC FARES WILL BE ON THE TABLE IRREGARDLESS, INTRODUCED BY AUSTRALIANS. INASMUCH AS CONTINENTAL, WERE ITS OPERATION TO BE APPROVED, WOULD SUBMIT FARE PROPOSALS TO GOVERNMENT AUTHORITIES, AND INASMUCH AS THESE WOULD BE SUBJECT TO GOVERNMENT-TO-GOVERNMENT DISCUSSIONS IF THEY WERE TO BE OBJECTED TO BY GOA, IT WOULD NOT APPEAR INAPPROPRIATE FOR THEM TO BE INTRODUCED INTO AUGUST 28 U.S.-AUSTRALIAN NEGOTIATIONS. THEIR INTRODUCTION, AS BASIS FOR ANALYSIS OF TRAFFIC GENERATION AND BENEFITS TO TRAVELLERS, COULD BE KEPT DISTINCT FROM NEGOTIATION FOR THEIR ACCEVPANCE. WITHOUT AN INITIATIVE OF THIS SORT FROM U.S., WE WILL BE IN POSITION OF ASSERTING LAMELY THAT ADDITIONAL CAPACITY IS BENEFICIAL, WHILE AUSTRALIANS WILL BE LUDLY PROCLAIMING AN ATTRACTIVE, SPECIFIC FATE WHICH, THEY ARE LIKELY TO CLAIM TO THE AUSTRALIAN PUBLIC AFTERWARDS, WOULD BE FEASIBLE WERE IT NOT FOR U.S. INTRANSIGENCE.
ALSTON

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